

Amendment 921 – Eliminates the Advanced Technology Program which is corporate welfare

This amendment would terminate the Advanced Technology Program (ATP). ATP, which is part of the Department of Commerce, received \$79 million in Fiscal Year 2006 and despite consensus by both chambers of Congress and President to terminate the program last year, the continuing resolution approved this year has continued the agency's funding at \$79 million.¹

ATP is Wasteful and Unnecessary Corporate Welfare

ATP is a “corporate welfare” program that has rewarded subpar research initiatives, and, consequently, wasted millions of dollars in taxpayer money trying to do perform a job the free market naturally does better.

Between 1990 and 2004, 35 percent of the more than \$2 billion appropriated for ATP went to 39 Fortune 500 companies, including hundreds of millions to the wealthiest and most famous companies in the world.²

Five companies received 21 percent of ATP grants from 1990 to 2004 – a total of \$376 million.³ These five companies are IBM, General Electric, General Motors, 3M, and Motorola, and boast annual revenues ranging from \$20 to almost \$150 billion.

¹Wendy H. Schacht. “The Advanced Technology Program (Report 95-36),” Congressional Research Service of the Library of Congress, February 16, 2007.

²Brian Riedl. “Corporate Welfare at It's Worst: Advanced Technology Program,” Capitalism Magazine, 08/12/2005;

http://coburn.senate.gov/ffm/index.cfm?FuseAction=LatestNews.NewsStories&ContentRecord_id=606c218a-7e9c-9af9-7311-325d7e11f877

³ Brian M. Riedl. “The Advanced Technology Program: Time to End this Corporate Welfare Handout,” Heritage Foundation Backgrounder, 07/15/2003.

http://coburn.senate.gov/ffm/index.cfm?FuseAction=LatestNews.NewsStories&ContentRecord_id=607ac786-7e9c-9af9-7e4c-268ed02f194f

In 2004, IBM spent more than \$5 billion and Motorola more than \$3 billion on research and development alone.⁴

Why is the federal government subsidizing commercial research and development for these companies – companies that already have thriving research and development programs and billions in revenue?

There is Widespread Consensus to Eliminate ATP

The House competitiveness bill eliminates ATP.⁵

Last year, the Senate, the House of Representatives, and the President all agreed to terminate funding for ATP.

Page 87 of the Senate report to the Fiscal Year 2007 Commerce Appropriations bill, H.R. 5672, stated:

“The Committee will allow for the phase out of activities for ATP. No funds are provided in fiscal year 2007 for ATP, and the Committee believes that sufficient funds were provided as part of fiscal year 2006 under this title to cover all necessary close out costs associated with ATP.”

Page 234 of the President’s Budget Request for Fiscal Year 2007 similarly stated:

“The 2007 Budget proposes to terminate ATP, a grant program for businesses that was intended to develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, there is little evidence of the need for this Federal program. Recent Congressional treatment of ATP is also consistent with this proposal—providing \$136 million in 2005 with no funding for new grants, and

⁴ “Advanced Technology Program: An Assessment of Federal Funding for Private Research and Development,” Opening Statement by Sen. Tom Coburn, 05/26/2005, http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore_id=33da9ef0-5ba3-4789-9633-25daec5ad41f

⁵ The Technology Innovation and Manufacturing Stimulation Act of 2007 terminate the Advanced Technology Program but authorizes \$402 million over three years for a new grant program called the Manufacturing Extension Partnership program.

\$79 million in 2006 to cover existing grants and enable close-out.”

According to the Office of Management and Budget (OMB), “ATP was founded in 1988 with the purpose of funding the development and commercialization of high-risk technologies through cost-shared grants to companies.”

However, OMB has determined that there is little need for the ATP as “there are other available funding sources for the development of high-risk technologies, including venture capital and other private-sector sources[, and] it is not evident that the program has a unique or significant impact on its intended purpose.”⁶

Congress and the President have been aware of these deficiencies and attempted to terminate the program on numerous occasions.

The House of Representatives has recommended funding for ATP to be cut since Fiscal Year 2000 and President Bush has requested terminating this program since 2004.

In 2005 and 2006 Congress only appropriated funds to cover existing grants and to enable close-out of the program, assuring that the 2007 Department of Commerce appropriations did not need to include any additional funding for ATP.

ATP Is a Glaring Example Of Government Waste And Inefficiency

Significant problems have been identified within ATP.

A recent program assessment conduct by the Office of Management and Budget (OMB) found “There is little need for the program. There are other available funding sources for the development of high-risk technologies, including venture capital and other private-sector sources. It is not evident that the program has a unique or significant

⁶ <http://www.whitehouse.gov/omb/expectmore/summary/10000030.2002.html>

impact on its intended purpose.”⁷ As a result, OMB has called for ending the program.

Instead of becoming a financier of last resort, ATP has become the first and easiest investor option for many research projects.

According to a Government Accountability Office (GAO) report, 65 percent of companies that receive ATP funding, did not even seek private funding before applying for grant money.⁸

Another GAO report concluded that is, “unlikely that ATP can avoid funding research already being pursued by the private sector in the same time period.”

Only one third of all ATP projects even make it to market.⁹

This failure to produce results underscores the questionable nature of ATP research and the program’s lack of merit.

The following are examples of projects subsidized by the federal government through ATP that highlight the inefficiency of this program:¹⁰

- A group called Hampshire Instruments received \$900,000 in 1991 for a project to improve the miniaturization of computer chips. Two years later the company declared bankruptcy and not one company has offered to purchase this research for further development.
- A group led by Boeing and consisting of four corporations received \$5.2 million in 1992 to develop a common framework

⁷ <http://www.whitehouse.gov/omb/expectmore/summary/10000030.2002.html>

⁸ GAO Report, “Measuring Performance: The Advanced Technology Program and Private Sector Funding,” 01/11/1996, <http://www.gao.gov/archive/1996/rc96047.pdf>

⁹ “Corporate Welfare at It’s Worst: Advanced Technology Program,” Capitalism Magazine, Brian Riedl, 08/12/2005, http://coburn.senate.gov/ffm/index.cfm?FuseAction=LatestNews.NewsStories&ContentRecord_id=606c218a-7e9c-9af9-7311-325d7e11f877

¹⁰ “The Advanced Technology Program: Time to End this Corporate Welfare Handout,” Heritage Foundation Backgrounder, Brian M. Riedl, 07/15/2003, http://coburn.senate.gov/ffm/index.cfm?FuseAction=LatestNews.NewsStories&ContentRecord_id=607ac786-7e9c-9af9-7e4c-268ed02f194f

for automating different types of circuit board. This project was never completed.

- Agridyne Technologies received a \$1.2 million grant to develop a product to reduce the human side effects of certain pesticides in 1992. Agridyne declared bankruptcy in 1995. Biosys purchased Agridyne but did not continue the research and also declared bankruptcy a year later. Thermo Trilogy then took ownership of all assets and patents, but determined that the ATP project was obsolete and unprofitable.
- ETOM technologies received \$1.4 million in 1993 to increase the storage capacity of compact disks, but after having developed the technology ETOM was unable to acquire certain lasers needed for this product. It would not have mattered anyway, however, because the market for this product (video-on-demand service) never developed. ETOM declared bankruptcy in 1998.
- Communications Intelligence Corporation (CIC) received a \$1.2 million grant for initial research into computer recognition of cursive handwriting, even though similar technology already existed on the market. Market-driven research produced 450 new patents, but CIC's research results were negligible.
- Accuwave received a \$2 million grant for increasing data transmission capacity of fiber optic cables, despite the fact that millions of private dollars were being invested in this type of technology. Private research produced more than 2,000 patents and a \$40 billion industry in 2003. Accuwave's proposed method of research was discredited by the rest of the industry and Accuwave declared bankruptcy in 1996.

The bulk of ATP funding has been awarded to only a handful of states. According to ATP's Web site, between 1990 and 2004 more than half of all ATP funds have been provided to companies in five states (California, Michigan, Massachusetts, New York, and New Jersey).

This program is not necessary, as the private sector already funds commercial research and development through investors and businesses to a tune of \$150 billion every year¹¹ – a sum that dwarfs the roughly \$130 million ATP has awarded each year.

In addition to the ATP, the government funds basic scientific research through the National Science Foundation the Department of Energy's Office of Science at a cost of \$9.25 billion in Fiscal Year 2006.

ATP has proven to be both ineffective and inefficient and ATP-funded research is duplicative, irrelevant¹², a waste of federal resources and just plain useless.

ATP should be terminated.

¹¹ Ibid.

¹² "ADVANCED TECHNOLOGY PROGRAM Inherent Factors in Selection Process Are Likely to Limit Identification of Similar Research, GAO Report, May, 26, 2005,



PROGRAM ASSESSMENT

Program

[View Assessment Details](#)

Advanced Technology Program

The purpose of the Advanced Technology Program is to fund the development and commercialization of high-risk technologies through co-funding R&D partnerships with the private sector.

Rating

[What This Rating Means](#)

PERFORMING

Adequate

- **There is little need for the program.** There are other available funding sources for the development of high-risk technologies, including venture capital and other private-sector sources. It is not evident that the program has a unique or significant impact on its intended purpose.
- **The program has adequate performance measures.** Regular reviews are conducted to assess the performance of projects.

Improvement Plan

About Improvement
Plans

We are taking the following actions to improve the performance of the program:

- Ending this program. No funds were requested for this program for FY 2007.

LEARN MORE

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- Learn more about Advanced Technology Program.

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FY07 Senate Report, Page 87

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_reports&docid=f:sr280.109.pdf

Advanced Technology Program [ATP].—The Committee will allow for the phase out of activities for ATP. No funds are provided in fiscal year 2007 for ATP, and the Committee believes that sufficient funds were provided as part of fiscal year 2006 under this title to cover all necessary close out costs associated with ATP.

FY07 House Report, Page 83

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_reports&docid=f:hr520.109.pdf

The Committee recommendation includes \$92,000,000, which is \$91,624,000 below the current year and \$45,668,000 above the request, and is provided solely for the Hollings Manufacturing Extension Partnerships (MEP) Program. The Committee adopts the President's request to terminate funding for the Advanced Technology Program.

President's Budget Request FY07, Page 234

<http://www.whitehouse.gov/omb/budget/fy2007/pdf/appendix/com.pdf>

The 2007 Budget proposes to terminate ATP, a grant program for businesses that was intended to develop new technologies for commercial use. Given the growth of venture capital and other financing sources for high-tech projects, there is little evidence of the need for this Federal program. Recent Congressional treatment of ATP is also consistent with this proposal—providing \$136 million in 2005 with no funding for new grants, and \$79 million in 2006 to cover existing grants and enable close-out.

President's Budget Request FY08, Page 212

<http://www.whitehouse.gov/omb/budget/fy2008/pdf/appendix/com.pdf>

ATP, a grant program for businesses that was intended to develop new technologies for commercial use, continues to be proposed for elimination due to the growth of venture capital and other financing sources for high-tech projects. The Administration seeks no new funding for ATP and proposes to terminate the program, using prior year appropriations, in an orderly manner that completes funding of all qualified projects.

May 26, 2005

**Chairman's Statement
Sen. Tom Coburn, M.D.**

Senate Subcommittee on Federal Financial Management

**Advanced Technology Program
An Assessment of Federal Funding for Private Research and
Development**

Last year, venture capitalists invested over \$20 billion into various projects in the U.S. economy. Industries including biotechnology, telecommunications, and health care services received hundreds of millions, if not billions, of dollars in funding from private investors. All of that venture capital funding also doesn't even take into account the massive amount of money spent each year on research and development, or R&D, by publicly-traded American companies. Just to give a few examples, IBM in 2004 spent more than \$5 billion on R&D, while Motorola spent more than \$3 billion on R&D. In short, the private sector of the U.S. economy is researching new technologies and products at a feverish pace.

This hearing today has been convened to provide an assessment of federal funding for private research and development, with a focus on the Advanced Technology Program, or ATP. Created in 1988 by the Omnibus Trade and Competitiveness Act, ATP is a federal program charged to support research that accelerates the development of high-risk technologies in order to increase the global competitiveness of American industry. On its web site, ATP states that its goal is to help companies meet challenges that "they could not or would not do alone." Many of the program's most vocal supporters believe that without the federal funding provided by ATP, countless research projects would receive no money at all, and that ATP exists to remedy the failure of the market to fund research and development.

Evidence to support those claims, however, is quite limited. Time after time, ATP is shown to fund initiatives that have already been undertaken by the private sector. Year after year, multi-billion dollar

corporations receive millions of dollars from ATP. For example, General Electric, or GE, one of the most widely known corporate brands in the world, has received more than \$100 million in grants from ATP. Last year alone, GE reported revenues of \$152 *billion*. IBM, with revenues of nearly \$100 billion in 2004, has received \$91 million in federal funds from ATP. In total since 1990, Fortune 500 corporations have received more than \$730 million from ATP. *If this does not constitute corporate welfare, then corporate welfare does not exist.*

Regarding the claim that ATP primarily funds research that does not already exist in the private sector, the U.S. Government Accountability Office, or GAO, found in a 2000 report that ATP had funded research on handwriting recognition that began in the private sector *in the late-1950s*. GAO found that inherent factors within ATP made it “unlikely that ATP can avoid funding research already being pursued by the private sector in the same time period.” Furthermore, according to the Program Assessment and Rating Tool used by the Office of Management and Budget, ATP does not address a specific need and is not designed to make a unique contribution. While many supporters of ATP point to the broad societal benefits of scientific research as justification for ATP, the merits of scientific research are not at issue here today. As a physician, I know first-hand the benefits that have been realized due to breakthroughs in the field of medical research. The main issues before us today are the federal financing of research that may very well be duplicative and the federal subsidization of multi-billion dollar global corporations.